

Capitalism and Communism

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ONE evidence of the difficulty which a capitalistic political party experiences in assessing Communism is the Fish Committee Report. Indeed, one cannot read the twenty volumes of so-called evidence against Reds which was accumulated and printed at Government expense without realizing what a catch-all for propaganda it is. Part 5 of Volume 4, for instance, is a robust tome of 1,572 pages, all but a few of which are furnished by Captain Hynes of the Intelligence Bureau of Los Angeles. It purports to give damaging evidence against Communists; but if we take the material out of its setting, it is quite innocuous. For instance, pictures are reproduced showing that Communists paraded in automobiles bearing the sign, "For a Workers' and Farmers' Government." Why should not any group do this? Another picture shows a car with a large poster, "Organize against Unemployment." What is there dangerous and revolutionary about this? If the Fish Committee had only spent their time following this injunction, instead of on a Red junket, America would be better off today.

I realize that Mr. Fish does not indorse all the 1,500 pages of miscellaneous mixture contained in this volume, but he permitted it to be printed; and almost wherever and whenever the Fish Committee held a hearing, there resulted a wave of propaganda in the press. I suppose that a similar committee might have analyzed Republican campaign oratory, and—had it held hearings from the Atlantic to the

Pacific—might have filled twenty volumes with gossip about Republicanism. I am not defending the tactics of American Communism; it is a pathetic minority movement, hopelessly split into factions. But why aid it with publicity?

OPPOSITION TO COMMUNISM CONSIDERED

As a result of thousands of pages of propaganda and other material, the Fish Committee proposes to debar the Communist Party from the polls—to make it illegal. This would prove conclusively the contention of the Communists that it is impossible for them to effect change by Constitutional methods. The Communist Party would be driven underground and the inevitable result would be to promote the very violence the Fish Committee claims it wants to curb.

The Fish Committee also proposes to deport any alien Communist found in our midst. We already have a law making it possible to deport an alien who advocates violence or the overthrow of the American Government, but this is not sweeping enough for the Committee. The deportation of every Communist is demanded. This means that we would say to a great government controlling one sixth of the land surface of the earth, "We so violently oppose your principles that we shall not permit a single representative of your Party to enter the United States, and we shall deport him if we find him here." It is just as though the Communist Party in Russia should say, "We will debar any one belonging to

the Democratic or the Republican Party from entering Russia." This is being even more intolerant than the Communists. It is something which almost no other government in the world is now doing.

A still further danger is that some in America tend to call any one who differs from them a Communist. Thus, President Hopkins of Dartmouth College has been called a Communist, and Mr. Mencken, Chairman of the Board of the National Security League, is called a Communist because he now advocates relations with Russia. Even Mr. Fish tends to lump individuals and societies who oppose his views in this class. For example, his report violently attacks the American Civil Liberties Union, although it is composed of men like Professor Dewey of Columbia, and professors of law at Harvard and Yale. Because the Union stands opposed to the use of illegal methods by Government officials and seeks to protect Communists, Socialists, and union workers against such illegal action, Mr. Fish believes it a dangerous organization. In reality, the American Civil Liberties Union is defending the American Constitution and trying to protect it in practice as well as in theory.

The proposals of the Fish Committee may be far more dangerous to liberty and freedom than the pitiful handful of Communists in the United States have ever been.

Is it not rather significant that Congressman Nelson of Maine, who was on the Fish Committee and attended their hearings, writes of the majority recommendations, in a personal letter: "I did not feel that American democracy should attempt to defend itself by abandoning the institutions of democracy, or that the situation was serious enough to warrant a major operation on our Bill of Rights."

AMERICAN IGNORANCE OF RUSSIA

Let us turn to some of the reasons why we are so grossly ignorant about what is now happening in Russia under the name of Communism.

The problem is extraordinarily complex. In addition to her tremendous size, Russia has a population of 160,000,000, increasing faster than that of all the rest of Europe combined. She contains 182 nationalities, speaking 149 different languages. It is small wonder that Americans come back with different stories! They are like the three blind men trying to describe an elephant: one felt the animal's leg and reported that he was like a tree, another felt his trunk and thought him like a snake, while the third felt his ear and said he was like a fan. Moreover, we fail to take into account the czaristic background from which Bolshevism emerged. Most of the evils of today were present under the old system, in a more aggravated form.

For the most part, America has been deluged with propaganda instead of scientific truth. Dr. E. A. Ross of Wisconsin, in a chapter on the "Poison Gas Attack," has sketched the bitter falsity of the Russian news. The acceptance of falsehoods has been made easy because of America's ignorance about Russia. Even when Americans go there, in their eagerness to secure the anti-Bolshevik case, they are likely to accept secondary or hearsay testimony. Language and psychologic barriers are great, and sojourn in Russia is likely to be brief, and judgments superficial. The setting is unconsciously compared with what is customary to the observer. For instance, one American reported that the Russians rarely work. When asked for his data, he replied that there were always men hanging around the railroad stations, doing nothing, as he passed through Siberia.

Again, we tend to compare Russia with Western standards of democracy, or we look at her from a background of capitalism, which prevents a fair appraisal. Naturally we are afflicted with compartment thinking. America is in one mental pigeonhole, Russia in another; we understand lynching and racketeering, but we stand aghast at class war. We judge ourselves by our intentions; Russia, by her worst acts.

We accuse the Bolsheviks of violence because of the Red Terror. Do we not equally believe in violence? If Germany invades Belgium or sinks our ships on the high seas, we think we are justified in going to war. The Bolsheviks believe that the 26,000,000 killed in the World War were slaughtered far less justifiably than were those killed in the Russian Revolution. The fact is that both America and Russia believe in violence. It is scientifically inaccurate to say that the Bolsheviks are more "bloodthirsty" than are patriotic supporters of war in America. The real difference lies in the concept of the particular injustice which should be fought against, rather than in the attitude toward violence. Few Americans have recognized this fact.

Even when scientific methods of appraising Russia are attempted, too small a sample is usually relied upon, or we overemphasize one phase of the problem or compare noncomparable material. Then, too, we are afflicted with such deep-seated prejudices, as:

Political bias. We have been told that Communists are Reds and that their system of dictatorship and occupational representation cannot compare with the acts of the "Grand Old Party," including those of Harding, Fall, and Daugherty!

Patriotic bias. If the United States invades Russia without a declaration of war, or if she persists in non-recognition, America is always right.

Religious bias. The Bolsheviks are atheists, hence they must be evil.

Racial bias. Communism is controlled by Jews.

Class bias. It is impossible for workers and peasants to organize and direct the national economic life.

UNRELIABLE INFORMATION

Because of so many difficulties, those who visit Russia are likely to incline toward vague, generalized reports; or they make moral judgments, instead of statements of actual happenings and conditions. Even such a competent observer as Professor Calvin B. Hoover, Fellow of the Social Science Research Council, in his excellent volume, makes such questionable generalizations as: "Never in history have the mind and spirit of man been so robbed of freedom and dignity. . . . Never before has the human soul been so placed in bondage." It is conceivable that in the very state in which Professor Hoover is now teaching, the slaves were once robbed of more "freedom and dignity" than the Russian people now lack.

The attitude of observers is often fixed by a previous experience. Thus, if an American is jailed in Russia for any reason, or if he has an unfortunate experience at the customs on entry, his whole outlook may be colored by that fact. Most of us are the victims of our rationalizations; hence we say that various aspects of Communism are at variance with what is reasonable, or plain common sense. This has led many observers to say that Russia cannot carry on without the profit motive. Many reporters on Russia fall victims to analogical reasoning, or reasoning from universals to particulars.

It is easy to charge that Russia has no reliable statistical data. If one uses Government statistics, they are Communistic! Again, since nonrecognition prevents official American representa-

tives in Russia, our American Government relies too much on border information. On one of my trips into Russia I investigated to find out on whom United States Government leaders relied most for Russian information. I then went hundreds of miles out of my way to confer with the official. I found that he had held a responsible position in Russia during the Czar's régime, and his information consisted largely of White refugees' gossip.

On another ocean trip I met a member of a United States commission who was journeying to Russia to write articles for the *Saturday Evening Post*. Unfortunately, he told so many of his fellow passengers of his proposed trip to Russia that some conservative sent a radio message back to America, which resulted in a message from the Secretary of State prohibiting his going into Russia. For two days the commissioner was shrouded in deep gloom, as the compensation for the articles was to be high. However, he eventually hit on the expedient of writing on Russia without entering the country, and his articles were later published in the *Post*.

Our newspapers have in the past failed to give us reliable information (although they are improving in this respect). This failure has been partly due to the fact that our public demands spot news. Furthermore, cable charges are high; consequently, dispatches are brief and inadequate. The deeper social and economic values cannot be adequately discussed. Moreover, the American correspondent is usually anchored to the end of a cable and often relies on gossip. If he uses official sources, they may be colored; if he trusts to anti-Bolshevik sources, they are even worse. Then, too, there is censorship of all cable news. This is not confined to Russia. Karl Bickel, president of the United Press, stated in 1930:

In almost three fourths of the so-called civilized world the news emanating from the various nations . . . is . . . controlled by governmental censorship. Never in the history of the modern world in peace times have so many nations attempted to shape the news in their own favor.

EARLY STATEMENTS ABOUT RUSSIA

Because of these and other difficulties, a great deal of our information has been false. It is perhaps not necessary to show that this was true in the early years of Bolshevism; yet it is possible that America may still be suffering from its effects. Because some may not realize how grotesque and humorous were the early "facts" about Russia, let us cite a few instances.

On August 4, 1920, Walter Lippman, formerly editor in chief of the *New York World* and now a special writer for the *New York Tribune*, made a special study of the news reports on Russia in the *Times* from March, 1917 to March, 1920. This study proved conclusively the gross inadequacy and inaccuracy of the material about Russia appearing in one of the most reliable newspapers in America. A great many statements by officials in the State Department were there quoted, predicting the overthrow of the Bolsheviks within a very brief period of time. The United States Government itself published the so-called "Sisson Documents," stating in a rather lurid introduction:

The documents show that the heads of the Bolshevik Government—Lenin and Trotsky and their associates—are German agents. They show that the Bolshevik revolution was arranged for by the German Great General Staff and financed by the German Imperial Bank. They show that the treaty of Brest-Litovsk was a betrayal of the Russian people by the German agents, Lenin and Trotsky. . . . They show, in short, that the present Bolshevik Government is not a Russian government at all, but a German government acting

solely in the interests of Germany and betraying the Russian people . . . for the benefit of the Imperial German Government alone.

These documents have just been republished as authentic by Mr. Sisson in 1931.

United States Attorney General Palmer, in a letter dated January 27, 1920 and addressed to the editors of magazines and newspapers, stated about the Soviet Government: "The entire movement is a dishonest and criminal one; in other words, an organized campaign to acquire the wealth and power of all countries for the few agitators and their criminal associates."

In New York State, the Joint Legislative Committee Investigating Seditious Activities was appointed in March, 1919, under the guidance of Archibald E. Stevenson, a member of the Union League Club. It attempted to prove that Mr. Martens, the representative of the Soviet Government, was using money to revolutionize the United States. The Committee started its work by raiding the office of the Russian Soviet Bureau, seizing all documents, papers, and correspondence. The Committee proceeded to issue publicity material containing all sorts of questionable statements. The hearings themselves were used by the press to broadcast falsehoods. The *New York Tribune*, for example, on November 18, 1919, ran a headline across the entire front page saying: "MARTENS ADMITS LENIN SENT HIM TO OVERTHROW U. S." The story underneath this heading did not substantiate the accusation.

Frank H. Simonds, the *New York Tribune's* expert, stated in 1919:

Russian Bolshevism is again isolated and is manifestly on its last legs . . . it is possible to hope that Russian Bolshevism will

fall of its own weight, solely due to starvation which it has produced, and become the victim of the sin which it engendered.

The American Association for International Conciliation, in its monthly magazine of February, 1920, says: "Of the twenty or thirty commissaries or leaders who provide the central machinery of the Bolshevist movement, not less than seventy-five per cent are Jews." This of course was untrue, as most of the leaders were not Jews. In regard to Shatov, who recently completed one thousand miles of railroad line connecting Siberia with Turkestan, one of the most brilliant feats of construction ever achieved in Russia, it said the following:

Shatov has in his face every indication of criminal degeneracy. A hopeless drunkard, a sexual pervert, this man is eminently fitted for the task of torture and oppression in which he revels now. His case is the best illustration of the undisputed fact that the whole Bolshevist régime is led mostly by criminals or criminal degenerates.

The Curtis Publishing Company, owner of the *Saturday Evening Post* and *Ladies' Home Journal*, is reported to have sent to its army of boy subscription solicitors, the following description of a Bolshevik:

A Bolshevik is a boy who believes there should be no teachers in school. . . . He believes that the best way to get his friend's jack-knife is to take it, and that maybe the best plan is to have no school at all—to burn down the building so that he can watch a bonfire. He believes that football should be played without rules and that he ought to be allowed to play it with a tennis ball if he wants to. This is exactly the kind of system that a lot of long-haired foreign agitators are trying to use in running their governments and they would like to see our country mixed up in the same sort of thing.

In New York City, Benjamin Glassberg was dismissed from the Commercial High School because he was al-

leged to have told his pupils in answer to questions that "the Bolsheviks are not as bad as they are painted." In Washington, District of Columbia, Miss Alice Wood was suspended from the Western High School because she offered to instruct boys on Bolshevism outside of class.

RUSSIAN SPECULATION AND FOREIGN TRADE

America is still the victim of many false charges against Soviet Russia. Not long ago Secretary Hyde of the Hoover Cabinet accused Russia of attempting to speculate unjustifiably in the Chicago wheat market. These charges were broadcast over all the country, without any opportunity having been given to the Soviet representatives to discuss the matter with Mr. Hyde and explain their position. Since then, the former President of the American Bar Association, Mr. Strawn, a staunch Republican who is violently opposed to Bolshevism in any form, has admitted that the Russians did nothing except a legitimate transaction and that it did not materially affect the price of wheat.

Another fallacious charge is that Russia is "dumping" goods on the world market to undermine prices and foment revolution. No scientific evidence has been advanced to show that Russia is selling goods abroad at less than the best market price she can get. The only reason Russia is exporting is to pay for her imports. It is to her interest to secure the highest possible price for everything she exports in order to pay for purchased goods. After condemning Russia for doing this, it is now announced that the United States Farm Board will do the same thing itself—sell its surplus wheat abroad at the market.

In the United States we are in a very advantageous position with regard to

Russian trade. Last year Russia bought from us five times as much as she sold to us. The little that she did sell was largely in a field noncompetitive with American-made products—raw materials, which we turn into finished products. The sales are therefore a benefit to the people of America. The National City Bank of New York can hardly be charged with being a Red organization; yet it has this to say about the "dumping" charge:

We confess to skepticism toward the representations that they [the Soviet Union] deliberately sell their products for less than they might obtain. . . . We doubt that they intend to enrich the capitalist countries by giving something for nothing or on any better terms than seem to be necessary.

In reality, the charge that Russia is dumping to undercut world prices and foment world revolution cannot be substantiated. It is merely one further illustration of the absence of scientific, reasoned proof for the charges which are hurled against Russia. To prohibit Russian imports would be taking from American labor one hundred and fifty million dollars' worth of orders—a pretty high price to pay for an emotional analysis of this problem, especially in the period of the worst depression which the United States has experienced for forty years. Actually, it is maintained by Colonel Hugh L. Cooper, a conservative Republican and the builder of the Muscle Shoals Dam, that the Fish Committee cost the United States sixty million dollars in orders last year. Can we afford to lose sixty million dollars' worth of business in a period of depression because of forged documents and emotionalism?

RUSSIAN LABOR CONDITION

Another charge that is popularly bandied about is that since the wages in Russia are low, we should not permit

Russian goods to compete with ours. It is true that Russia, in common with many other countries, has lower wages than we do; although it should be pointed out that they have old-age pensions, unemployment and other forms of social insurance, vacations with pay, and shorter hours of labor than most American workers enjoy. Actually, the average wage in 1930 was about eighty rubles a month. Since the month has less than twenty-four actual working days, this means that the average worker received \$1.74 a day, which compares favorably with some other European countries. It has been traditional in America to try to protect our wage standard by means of the tariff. There is no valid reason for using any other device against Russia.

However, it is charged that Soviet export commodities are the product of forced or convict labor and that therefore they should be debarred. Senator Odie of Nevada has introduced a bill to prohibit all Russian goods. The charge takes two forms: some say that the communistic control of labor is so severe that all labor in Russia is enslaved; others claim that, since convicts or exiles work, part of the products of Russia are convict labor.

Let us examine the first of these charges. It is true that a law was passed last December which provided that those who left work in a socialized enterprise without good cause would not be assigned work at a Labor Office for a period of six months; this being designed to check high turnover rates in a period when labor was difficult to secure. Any factory in the United States may employ similar penalties, and today in America, if a worker leaves his employment without good cause, it may be very much longer than six months before he again secures work.

As a matter of fact, the provisions protecting labor in Russia are among the highest in any nation in the world. They include security on the job, health, safety, sanitation, rest, and maternity and child welfare, as well as a high social status. These provisions are so advanced that Colonel Cooper states that they give the workers too many privileges. This eminent engineer, testifying before the Committee on Ways and Means of the House of Representatives on January 27 of this year, declared that the Soviet Government was stronger than ever before in its history, "because of the enthusiasm of the 99 per cent when they work." He added: "We have had a chance to check up and I know what I am telling you about." The testimony of Colonel Cooper is backed up by ten distinguished foreign engineers, who published a statement February 1 in the *Moskauer Rundschau*: "We have never observed anything that had the remotest appearance of forced labor; on the contrary we have observed with what enthusiasm Soviet workers concentrate on intrenching the economic strength of their country."

In regard to the other charge, that convicts are used for production, it is true that according to the best sociological procedure some convicts are employed and paid, in some instances union wages; but no goods made by convict labor are shipped outside the country. E. P. Tetsall, president of the Timber Trade Federation of Great Britain—who cannot be accused of radicalism—after a first-hand study in Russia, flatly contradicts the charge that a system of convict labor exists in Russian lumber camps. In regard to dumping, he says that fir from the United States is being sold in Great Britain for less than Russian timber is sold for there.

RUSSIAN INDUSTRIAL PROGRESS

Sooner or later, capitalism will have to accept certain facts in which there is substantial agreement on the part of impartial observers. Dictatorship, absence of freedom for opponents of Communists, and bitter hostility to speculators are clearly evident. Only recently have we been willing to admit the tremendous strides which the Bolsheviks have made in industrialization and collectivization. In 1921 one of the highest officials in our Government told the writer that under Communism, Russia would always remain an economic vacuum; today the same official is talking about the threat of Russian exports. In ten years Russia has changed from an economic vacuum to an economic menace. If the latter is now true, it cannot be abolished by refusing to recognize that a Russian government exists.

Concrete evidences of the progress made during 1930 are:

(1) The completion in May of the new thousand-mile railroad connecting Turkestan and Siberia, opening up a vast new area.

(2) The largest agricultural machine factory in Europe was finished in June at Rostov on the Don.

(3) A large factory with a capacity of 50,000 tractors was completed in June at Stalingrad.

(4) A new Ford plant with an annual capacity of 140,000 automobiles is being rushed to completion at Nishni Novgorod.

(5) The largest electric plant in the world is partly constructed and should be ready by 1933. It will supply low-cost electric power and good water over about 200,000 square miles, and should be capable of supporting an industrial population of 16,000,000, or over twice the population of our six New England States.

(6) Two huge steel plants are under construction, besides two more large tractor plants.

The five-year industrialization program alone calls for an investment of thirty-three billion dollars, and in addition, nine billion dollars are to be used for cultural investment. When we realize that the United States is taking twenty-five years to liquidate the war cost of twenty-four billions, and that our national income is some seven times that of Russia, something of the sacrifices called for by the Five-Year Plan can be appreciated. In not over three five-year periods, the Soviet Government is attempting what it took the United States nearly one hundred years to achieve.

RUSSIA'S ECONOMIC EXPERIMENT

It is generally conceded today, however, that there are differences between "communistic" economy and that of capitalism. One of the most far-reaching differences is that in Russia there exists a *planned national economy*,¹ the future direction of the entire economic and educational life of the nation is plotted out by a general staff. This is the State Planning Commission, which is known as Gosplan, and works under the Council of Labor and Defense. Besides the Central Planning Commission, there is one for each of the seven republics. Subordinate to these are the planning commissions of the various areas corresponding to our states. Even subdivisions of these have their planning commissions or committees. Not only is there a Five-Year Plan, but also a fifteen-year plan. Not only does the plan include all of the economic life, but various phases of the cultural life as well.

¹ For further discussion of this plan see Jerome Davis, *Contemporary Social Movements*, Century Co.

This is probably the most far-reaching economic experiment in the world today. It is an attempt to plot out in advance an industrial and cultural revolution for an entire nation. All Russian activity is centered on advancing this planned goal. On December 24, 1930, there was created a superform of control, the Verification Committee, to enforce and direct the achievement of this planned economy. Engineers of the General Electric Company tell me that Russian strategy for electrical development far surpasses that in the United States. This does not mean that they have the same technical skill to administer it. This planned development results in a very different system from that of capitalism.

Take the development of oil, for instance. Under capitalism, wells are put down in profusion by all those who have land in a given area, in spite of the fact that they are draining the same territory. Under a planned system of national ownership, this is unnecessary. Oil wells are drilled at regular intervals, according to scientific planning, to get out the maximum amount of oil. Under capitalism we have an anarchy of competing units without a national plan, except as they secure monopoly control.

Industry is ninety per cent state-owned, and organized into several hundred state trusts. These may be horizontal, as in the sugar trust, embracing everything from the growing of beets to the refining and the marketing of the product. The trusts may be united into syndicates, as in the textile field. The result of national ownership of industry is that no particular industry needs to run at a profit. If the Supreme Economic Council, which has general oversight of industry, decides that the shoe industry shall run at a loss, it can do so and make good the deficit from the oil industry, where

profits are heavy. A manager does not have to concentrate attention on returns for stockholders; normally there are none. He is given instructions to produce a given amount of a given quality in a given time. Efficiency is measured by whether the production comes up to the plan laid out for it, whether its costs are higher or lower than were specified, and by the quality of the goods. If costs are high, as a general rule a trust cannot compensate by reducing wages, as in a capitalistic economy.

The bulk of profits, if there are any, is apportioned as follows: to the state, 47.5 per cent; towards the improvement of the condition of the workers, 11.25 per cent; and towards vocational and technical education, 3.3 per cent. The rest is used for capital expansion and other purposes, including a sum equal to one fourth of one per cent as an incentive fund to be divided among the executives of the trust. The profit incentive for management, however, is largely done away with, and Communists are usually limited to a salary of \$112.50 per month. Incentive comes through other motives, such as creativity, desire for power, and desire for social recognition and prestige. The chances of promotion are far greater than under capitalism, because Soviet economy is expanding so much faster. Since dividends are not paid as in America, there is a big saving. In the United States the railroads state that it takes all the receipts of every description for one month to pay dividends. This means that Russia could waste a large part of her gross receipts for one month and still not be much worse off nationally than America.

NATIONALIZATION

In contrast to capitalistic America, where trade unions are often fought, in Russia every factory must have its

trade union. Roughly, ninety-five per cent of all the eligible workers in the country belong to the union. In every factory there is a triangle of control, made up of the factory committee, the Party cell, and the management. The Party unifies all three, because it usually controls them all. While, therefore, it may be argued that there is not complete industrial democracy in Russia, at least it may be claimed that there is more than in the United States.

Where unions do not exist in America, industry is likely to be operated dictatorially for the benefit of the few. In Russia, to whatever extent it is operated dictatorially, it is done at least in the name of a workers' government, and in any case not for private profit. The workers in Russia have very much less of the feeling of insecurity than under capitalism, because they are completely covered by all forms of social insurance. In addition, they receive vacations of from two weeks to a month with pay. Naturally, benefits are small and wages low, but the status of the worker is far higher in Russia than in the United States.

In capitalistic countries we frequently have a phenomenon called overproduction, sometimes more accurately described as underconsumption. In Russia, the centralized control means that if a similar condition should occur, all that would need to be done is either temporarily to reduce the price of the article or permanently to reduce the hours of labor.

In agriculture in Russia, the land, instead of being individually owned as in the United States, has been nationalized. At present, as we have seen, there has been a drive towards collectivization. By the end of the fiscal year 1930 there were over 3,000 state farms containing over 15 million acres, using over 10,000 tractors and 1,550

combines. Over 25 per cent of all the peasants were united into collectives. The success of Russian agricultural efforts would seem to spell the permanent doom of any further export to Europe of American grain in any considerable amounts.

Trade has largely been nationalized, except for coöperative distribution, and the next few years will probably see state control as complete in trade as in industry. At present there is a monopoly of foreign trade by the state. This has one significant effect—it is almost impossible to tell how much the currency has depreciated. Foreign goods and services imported into the country are paid for solely by exports.

The banking system has also been nationalized. This has resulted in an interesting divergence from capitalism; it is not even necessary to send checks to settle mutual indebtedness among different trusts, for this can just as well be cleared by a system of credit and debit entries at the bank. There is even talk in Russia of making the accounting division of an industry a part of the function of the banking system.

The amount of capital investment of the national income is probably much larger than in any capitalistic country. Over 17 per cent of the national income was saved in 1928–1929, and over 30 per cent in 1929–1930. While under capitalism interest is of great importance, under Communism it has almost lost its significance except for payment on Government bonds and a certain number of bank loans.

SOCIALIZATION

In the United States we have such maldistribution of wealth that, roughly, 8 per cent of the people enjoy nearly one third of the total income, and 54 per cent have little more than a quarter of the total. To state the matter another way, three tenths of one per cent

of the people have so much of the income that they pay 95 per cent of the income tax. In Russia, they have achieved practical equality. While there are differences in salary, these are less than in the military or educational structure of the United States. One curious result is that in Communism it is very difficult to graft without being found out. If one has added income, he cannot spend it without placing himself under suspicion. In the United States, a public official drawing \$3,000 salary may deposit \$50,000 in the bank in the space of five years and spend large sums annually, often without any questions being asked.

Another significant difference is that in America, wealth is to a large extent the symbol of social recognition, whereas, if anything, the reverse is true in Russia. In America, the successful seeker after financial profit receives social prestige and perhaps, if sufficiently wealthy, honorary degrees. In Russia, the seeker after the same goal is considered a social traitor and a moral hypocrite. This difference is well illustrated by a study recently completed of the attitudes of the younger generation in each country toward various professions.² In America, on the average, the children ranked banking as the most desirable and honored profession, while in Russia, the banker was listed next to the bottom. Russian children have been taught that the banker is selfishly seeking profits for himself. In Russia, it is generally recognized that private property must not be used so as to impede the social welfare. Under capitalism, provided the law be not violated, it is no one's business what the individual does with his own.

Russia has gone much farther in the socialization of all of life than has America.

² See article by Jerome Davis in *Am. Jour. of Sociology*, Vol. XXIV, No. 2, 1930.

OPINIONS OF AMERICAN CAPITALISTS

These are a few of the differences between Communism and capitalism. In contrasting the two systems it is also interesting to know the experience of American capitalistic firms who are dealing with Soviet Russia. Some of them are lending technical assistance, others are selling goods to Russia on partial credit. In order to secure data on this point, I wrote to some fifty of the largest and best-known firms, such as E. I. Du Pont de Nemours & Company, Westinghouse, and the J. J. Case Company. Replies were received from forty-seven, most of them requesting that their attitudes be kept confidential. Of these, forty-five reported that the Russian authorities had scrupulously lived up to all their agreements, only two stating that they had had difficulties.

I asked these concerns whether they saw any objection to recognition of Soviet Russia by the United States, provided Russia should settle the claims of our Government and of our citizens. Twenty-two favored immediate recognition of Russia; eleven favored President Hoover's appointing a trade commission to Russia to see if business now being carried on could be increased to the mutual benefit of the two countries; four were opposed to recognition. The rest were noncommittal, stating that this was a political issue on which they did not wish to express an opinion. The point of view of the few which opposed recognition is stated by the president of a large company in the following words:

This planet is not large enough for two such divergent systems to exist in harmony, and although recognition might possibly help us industrially such help would be temporary. If their program is carried out successfully, this country will not only lose the Russian business but will have been

guilty of fostering competition which will in the end work disastrously against our own industries in foreign countries, or, in fact, in our own markets.

The General Manager of the Akron Rubber Reclaiming Company stated it as his personal view that "we should broaden our trade with Russia rather than restrict it, and that mischievous political propaganda unfavorable to Russia is not in the best interests of the American people."

The President of the Sullivan Machinery Company of Chicago said:

I believe that the nonrecognition of Soviet Russia has been a handicap to some extent, in that if they were able to do some financing here they would no doubt place more business in this country. Notwithstanding the refusal of the United States to recognize Soviet Russia, they look upon the United States as their model for their industrial development, and are unquestionably doing all they can to purchase American equipment, and employing American engineers as instructors, so that even though they are not recognized by our Government, they are placing considerable business here, and would undoubtedly like to buy more from us if we in turn purchased raw materials to a greater extent from them.

The President of the C. O. Bartlett & Snow Company of Cleveland stated:

We are very much of the opinion that it would be to the advantage of business interests generally if this country were to make recognition of Soviet Russia, and if this cannot be done, it would certainly be helpful to a proper understanding of the conditions in Russia, favorable and unfavorable, by business interests in the United States, to have a trade commission headed by some outstanding executive examine into and report upon the ways in which, and the means whereby, business between the two countries can be most advantageously carried on.

Several presidents expressed themselves in substantially the same way. I quote from one:

There is no question in the writer's mind but that the nonrecognition of Soviet Russia is a real handicap to American firms doing business with this country, and personally I see no objection to the United States recognizing Soviet Russia.

FURTHER QUOTATIONS

The following replies summarize the opinions of several others:

(1) As for our opinion in the matter of recognition of Soviet Russia by the United States: it would seem to us that the United States had much to gain by such recognition. From all we have been able to learn, the present Government is thoroughly stable, and, since recognition does in no way mean approval of their form of government or their mode of life but merely diplomatic relations which would make commerce between the two nations easier and more satisfactory, we believe that such recognition would be very desirable.

This country needs a foreign market and Russia certainly offers opportunity for such.

(2) If the recognition of Russia would mean that there would be commercial and diplomatic representatives of this country in Russia, American business there should benefit, as the support of such authorities is often needed.

(3) Our business dealings with the U. S. S. R. have been practically continuous during the past six years. In that time they have not failed in any instance to fulfill their obligations or to carry out the letter and spirit of their agreements with us. The officials with whom we have come in contact have been intelligent, conscientious, and honest.

It is axiomatic that the first duty of any government is to maintain itself in power. The conditions in Russia following the revolution were such that, to maintain its power, the Government adopted ruthless policies, thereby alienating the sympathies of the rest of the world. They have, however, maintained their power and have prevented their country from drifting into a state of political chaos such as is found in China. We believe that the policies of the Government are no longer ruthless. We also believe that the present form of govern-

ment is not likely to be supplanted by any other form in the near future. We believe that the Russian people, as represented by their Government, constitute a vast potential consumer of American goods and a vast potential source of supply of raw materials needed by the United States. We therefore believe that it would be wise for the United States Government to recognize the Russian Government, provided the differences that exist between the two governments can be amicably settled.

In the absence of recognition, we believe that the President should appoint a trade commission to Russia. We believe in any case that it is highly desirable that our Government avoid handicapping trade with Russia by discriminatory charges.

The Vice-President of the Bagley and Sewall Company, of Watertown, New York states:

To sum up the feeling which I know many people have, I would say that it seems a pity that American industry cannot have the advantage of taking a great amount of business now being offered to them without running the numerous risks which such commitments involve, due to the fact that American firms have now no one to appeal to as would be the case were the Soviet Government recognized by the United States.

If such recognition is effected, there will also be made possible banking arrangements to cover extended terms, all of which is not now possible.

One of the largest automotive companies in the world states:

We do not see any objection to President Hoover's appointing a trade commission to Russia. We feel that the interests of the world would be benefited if the standards of living in Russia could be increased and Russia become a nation of buyers and a nation of spenders, instead of a nation of peasants living in very poor fashion.

Perhaps I might close these quotations by a letter from Mr. Freyn, president of one of our most prominent engineering companies:

We . . . believe . . . that nonrecognition of the Soviet Government has been a handicap in further expanding business relations between the United States and the Soviet Union. Nonrecognition precludes the granting of financial loans to the Soviet Union and affects adversely the extension of credit accommodations by American manufacturers. The consequence is that lately many orders, which under different circumstances would have been placed in the United States, have gone to European countries, notably Germany, England, Italy, and Czechoslovakia.

We can see no objection to the United States taking the same attitude toward the Soviet Union that has been taken by other great nations who have recognized the Soviet Government. We believe that there is no unsurmountable difficulty in amicably settling such claims as are standing in the way of recognition.

We would welcome the appointment of a trade commission to Russia . . . and from our experience we firmly believe that an impartial investigation would result in a change of attitude on the part of American manufacturers, who would then realize the great trade opportunities offered by the vast market in the Soviet Union.

This is the testimony from some of the most successful business concerns in America, who are not talking because of a brief trip to Russia or for political effect but because of actual observation of working conditions in Russia and of business dealings with the Soviet Government.

A PLEA FOR RECOGNITION

In the light of fourteen years of the Russian revolution, the vital question is, What are we going to do about it? In the early days of Bolshevism the writer made the prediction that the Bolsheviks would still be in power after ten years. American politicians, conservative men of wealth, and Russian aristocrats stated this to be preposterous. Some gave the Bolsheviks three months, others longer, but none predicted what has happened.

The only way to meet the challenge of Communism is to make America a better country than she is. We must eliminate injustice from our midst. We must take steps to meet unemployment, which we have and which Russia does not now have. In the last analysis, the conflict between the capitalistic and communistic systems will be fought out in the economic field. Sooner or later we shall have to recognize the Russian Government, and the longer we delay the more we stand to lose, financially and morally. If because of propaganda or emotionalism we continue for another ten years to quarantine the Russian Government, it is doubtful whether we will be able to secure any compensation for Russian debts.

All Americans—conservatives, radicals, and Congressmen—profess to have friendship for the Russian people. The vital test is, What will the Russian people say about our actions fifty years from now? After fourteen years of

rule by the Bolshevik Government, is it not time for us to have a conference with the Russian leaders looking toward the settlement of mutual differences? Without such a conference, affirmations by American leaders of their friendship for the Russian people, or their positive statements that Russia will not meet our demands, are unconscious falsehoods or deliberate hypocrisies.

One of our most distinguished American jurists, John Bassett Moore, formerly of the World Court, has well stated that in signing the outlawry-of-war treaty with Russia we inevitably recognized her Government. He urges us to follow the policy of Washington and Jefferson in dealing with the revolutionary government of France, namely, recognition. Is it too much to hope that our American Government may soon be willing once more to assume her traditional policy of friendship toward both the Russian Government and people?